MULTIMEDIA UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

# FINAL EXAMINATION

**TRIMESTER 1, 2022/2023**

## BIB 3084 – ISSUES IN INTERNATIONAL BUSINESS

(All sections/Groups)

24 NOVEMBER 2022
9.00 a.m – 11.00 a.m
(2 Hours)

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## INSTRUCTIONS TO STUDENT

1. This question paper consists of 4 pages with 2 sections.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

**ANSWER ALL QUESTIONS**
**SECTION A: Case Study (50 Marks)**

# "NOT WORTH IT": WHY GRAB IS SHEDDING DRIVERS AND FRUSTRATING CUSTOMERS IN VIETNAM

By Nhung Nguyen
9 June 2022

For weeks, the Facebook groups where Vietnamese Grab drivers congregate have been in chaos. There, they gripe about high gas prices that make trips "not worth it," complain over the "exploitative" commission, and bemoan customers "vanishing" from the app, which they blame on rising fares.

Across various groups — Grab Việt Nam, Hội A E Grabbike Sài Gòn (Grabbike Brotherhood in Saigon), and Hội Grabbike Sài Gòn (Grabbike Club in Saigon) — drivers call for a widespread boycott; others doubt that will fix anything. In one group, a member repeatedly offers to do paperwork for those who want to leave the app and cash out their accounts. The heavy monsoon rains, which have inundated streets and worsened traffic jams since May, only add to the misery.

Singapore-based superapp Grab, far and away the biggest ride-hailing platform in Vietnam, is facing pressure in one of its most promising markets. In the country's largest city, Ho Chi Minh City, Vietnamese media reports that Grab drivers have quit, discouraged by a three-month lockdown and soaring fuel prices, which have bitten into their incomes; in turn, customers complain that, with drivers thin on the ground, getting a ride is an exercise in frustration.

In March, in response to the pressure on drivers, Grab added a surcharge to keep up with all-time-high fuel costs and to "compensate" and "encourage" its "drivers to be more active on the platform." Drivers, however, say that this has fed into higher charges for passengers, who are now even less inclined to use Grab when there are better deals elsewhere.

"It's all come back to bite us," said Tran Tuan, a GrabCar driver in Ho Chi Minh City. Tran requested to use a pseudonym (fiction name) to avoid jeopardizing his five-year employment with Grab.

Grab's huge range of services, including food delivery, insulate it from a drop-off in active users, said Lexi Sydow, head of insights at Data.ai. At the same time, figures from the company show that downloads for Grab's competitors — SoftBank-backed Gojek and local player Be — have been on the rise. In April, the latest data available, Gojek overtook Grab to become the 20th most-downloaded non-gaming app on Vietnam's Apple App Store and Google Play store. Be, the third-largest platform, told Rest of World that it saw record numbers of rides in April and May.

**Continued...**

Grab had not responded to questions from Rest of World at the time of publishing.

Gojek's driver supply has "remained stable" since February, a representative told Rest of World.

Tin Nguyen, a 33-year-old banker and loyal Grab user, says he's frustrated. After years as a loyal customer — he appreciated the app's short wait times and abundant promotions offered to its "platinum" members — in May, he finally downloaded its competitors' apps: Gojek, Be, and traditional taxis. "It has been so hard to find a car lately, with wait times stretching to half an hour," he told Rest of World. He says Grab prices surge higher than other apps, by 30% or more at times. "With fewer promo codes, the gap extends even further."

Vietnam is a tricky market for ride-hailing services, thanks to differing market rules between provinces and the fickle habits of urban users. Since its arrival in Vietnam in 2014, Grab has outperformed rival platforms, owning three-quarters of the ride-hailing market, according to the most recent figures from advisory firm ABI Research in 2020.

Grab was so appealing in its early years because its rides were plentiful and easy to access; its price strategy offered affordable and transparent fares, and, to its pool of price-sensitive customers, steep discounts helped make the more-premium service accessible. Good reviews spread through word-of-mouth marketing, and a "wave" of people took out loans to invest in a car and join the "tech taxi" fleet.

By 2019, Grab claimed that one in every four Vietnamese used the app every day. The same year, Vietnam was touted as the fastest-growing internet economy in the region, and the firm decided to pour $500 million of investment into the country over a period of five years, calling it Grab's "next major growth market." It now runs a fleet of 200,000 "partner" drivers across its services, according to data from the Vietnam General Confederation of Labor.

"Naturally, the company has been gradually moving to the pro-profit phase ... Unfortunately for Grab, it coincides with surging fuel prices"

"It was a pro-growth phase for Grab, when it lured in customers by low prices, aiming to take over Vietnam's market," said Truong Van Quy, a digital marketing expert from the consultancy EQVN. "Now, after achieving its dominant status, naturally the company has been gradually moving to the pro-profit phase and started raising prices. But, unfortunately for Grab, it coincides with surging fuel prices."

Gas prices in Vietnam have increased by over 30% since the beginning of this year. "The costs to move around in Vietnam are higher than in other countries, as our transport infrastructure is less developed. You can see it in traffic jams and inundated streets when it rains," Quy added. "Everything piles up, making it a really difficult time for Grab in Vietnam."

**Continued...**

The rider dissatisfaction is obvious online, where Grab customers are taking to Twitter and Facebook, complaining of unavailable cars and bikes in big cities, including Hanoi, Ho Chi Minh City, and Da Nang. On local forum Voz, Vietnamese users chimed in with comments complaining about a plunge in discounts, surges in fares, and long waits. Others say they're going back to traditional taxis. Experts, however, told Rest of World that Grab's new higher fees more accurately reflect the actual cost of transport in Vietnam and may be something that customers have to get used to.

In the second half of this year, Grab plans to lower subsidies for drivers further. That could be a flashpoint for conflict with "already angry" drivers, said Joe Buckley, a visiting fellow of the Vietnam Studies Programme at ISEAS–Yusof Ishak Institute, who specializes in labor rights in the Vietnamese gig economy. Increased charges in 2020 already led to protests from drivers across the country and a strike in Hanoi. The Vietnamese government, having pushed Grab to consider setting minimum hourly wages, is currently weighing whether to adopt new regulations on employee status and social security for app-based drivers.

On a recent night in May, Tran grimaced at his phone as it pinged. A new Grab ride alert, four kilometers away: two drop-offs, for a total journey of one kilometer. He'd pocket just 20,000 dong ($0.86) for the lengthy ride. "I had to take it or risk getting suspended for days," he told Rest of World. Meanwhile, Nguyen, the banker, now toggles between different companies' apps to find rides, including taxis. "Every app has its problems," he said, "and my loyalties lie in how quickly I can get a ride."

*(source: https://restofworld.org/2022/grab-vietnam-troubles-inflation/)*

**Question 1**

From the above case, it seems Grab did not perform well in Vietnam. Explain **FIVE (5)** causes of Grab's problems/issues in Vietnam with examples. (25 marks)

**Question 2**

Suggest **FIVE (5)** ways or new strategies for Grab to improve their business in Vietnam. (25 marks)

(TOTAL: 50 MARKS)

**Continued...**

## SECTION B: ANSWER ALL QUESTIONS (50 marks)

### Question 3

At IKEA, 90% of the product line is identical across more than two dozen countries. IKEA modifies some of its furniture to suit individual countries. IKEA's marketing is centrally developed at company headquarters but implemented with local adjustments. Explain **FIVE (5)** reasons why IKEA focus on transnational business strategy.

(Total: 25 marks)

### Question 4

Geoff, a small local boutique chocolate manufacturer, has noticed that many comments on the company's Instagram shown that the salted caramel flavour of chocolate is well loved. Geoff's even received several requests from customers to set outlets in Singapore, Thailand, and even Australia! Geoff is now a bit concerned though. He needs to find out what people think about his chocolates in those countries and how can he expand his business. He knows he needs to do a thorough business analysis and marketing research.

a) As an expert in International Business, advice Geoff regarding **FOUR (4)** common international business problems/issues that he might face in these countries. (12 marks)

b) Suggest to him a possible solution to each of these issues/problems. (8 marks)

c) Which mode of entry would you advice Geoff to try and why? (5 marks)

(Total: 25 marks)

(TOTAL: 50 MARKS)

**End of paper**